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**JUSTIFICATION OF AMENDED FISCAL YEARS 1988/1989
BIENNIAL BUDGET ESTIMATES
SUBMITTED TO CONGRESS FEBRUARY 1988**



Air Forces Stock Fund

DEPARTMENT OF THE AIR FORCE
AMENDED FY 1988/FY 1989 BIENNIAL BUDGET JUSTIFICATION BOOK

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Acceptance PC	✓
NTIS (GAG)	
DRC File	
Characteristics	
Acquisition	
Expenditure	
Direct Appropriation	
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AIR FORCE STOCK FUND
OVERVIEW OF REQUEST FOR DIRECT APPROPRIATION
(In Thousands of Dollars)

	<u>Inventory</u>	<u>Augmentation</u>	<u>War Reserves</u>	<u>Total</u>
FY 1989 Amended Estimate	\$ 108,346		\$ 98,554	\$ 206,900
FY 1989 Change	\$ -2,100		\$ -15,738	\$ -17,838
FY 1989 Initial Estimate	\$ 110,446		\$ 114,292	\$ 224,738
FY 1988 Estimate	\$ 143,852		\$ 82,155	\$ 226,007
FY 1987 Actual	\$ 139,980		\$ 0	\$ 139,980

Air Force Stock Fund

The Air Force Stock Fund ~~TRUST~~ consists of six divisions: Systems Support, General Support, Medical-Dental, Fuels, Commissary, and Air Force Academy Cadet Store. These divisions provide for the financial management, inventory control, and distribution of consumable items of supply and low-cost equipment to support both peacetime and wartime operations. The stock fund operates under a revolving fund concept. The corpus of the stock fund consists of inventory and cash. Each division buys and holds inventory for sale to authorized customers (primarily operation and maintenance funded activities and the Air Force Industrial Fund) on demand. Sales of stock fund inventory generate cash that is used to replenish inventory levels. In a static environment, this sale and replenishment cycle is self-sustaining. However, introduction of new weapon systems, modification of existing systems, and increased levels of peacetime operation require expansion or augmentation of stock fund inventories to assure proper levels of support and readiness. Congressional guidance in the FY 1982 Appropriations Bill directed the Services to request direct appropriations to finance peacetime inventory expansion for these purposes beginning in FY 1983. Prior to that time, beginning in FY 1976, the stock funds requested direct appropriations for mobilization or War Reserve Material (WRM) only; peacetime operating inventory was financed through the pricing mechanism used in the sale and replenishment cycle. The FY 1989 requirement includes peacetime inventory augmentation for three of the six divisions (Systems Support, General Support, and Commissary) and WRM for five of the six divisions, excluding only the Air Force Academy Cadet Store Division. The revised program request for FY 1989 includes \$108,346 thousand for peacetime inventory augmentation and \$98,554 thousand for WRM.

Stock Fund Inventory

Stock Fund inventories include consumable spare and repair parts used in depot, intermediate, and base level maintenance programs. The items are used to fix repairable investment (replenishment) spares and major end items of equipment, as well as fuel, rations, medical supplies, and general and administrative supplies necessary to maintain the readiness and sustainability of our weapon systems and personnel. Two levels or categories of inventory are required to totally support the Air Force mission: Peacetime Operating Stocks (POS) and War Reserve Materiel (WRM).

- a. Peacetime Operating Stocks (POS) support the everyday operation of the Air Force. It comprises those levels of inventory necessary to satisfy customer demands during normal peacetime operations and constitutes the support baseline for wartime readiness and sustainability of our forces.
- b. War Reserve Materiel (WRM) is inventory that is held in addition to peacetime inventory to support and to sustain the increased activity of the wartime force until the industrial production base can meet wartime consumption. WRM stocks are held in inventory until required for support of forces employed to meet wartime or contingency missions. To qualify as a WRM requirement, items must be essential to either the operation of combat forces or personnel survival; these items must also be unavailable from commercial sources in sufficient time or quantity, at the required location, to satisfy wartime mission requirements. WRM inventory is further categorized as either prepositioned or prestocked. The prepositioned segment is stored in specific geographic areas or with specified units and ensures timely support of designated forces. The prestocked segment, referred to as Other War Reserve Materiel (OWRM), supports wholesale or depot level requirements to sustain the force until the production base can expand to satisfy wartime consumption.

Air Force Stock Fund Divisions

The following is a general description of each stock fund division's FY 1989 request for peacetime inventory augmentation (IA) and WRM. Specific detailed justification for each division's request is contained in subsequent sections of this document.

- a. Systems Support Division (SSD): The SSD manages over 536,000 centrally procured, expense-type items for which the Air Force is the Department of Defense Inventory Control Point (ICP) and is also the primary user. The items managed by this division are directly related to weapon systems. They include repair parts for aircraft, missiles and their major components; and all other expense items that the Air Force Logistics Command procures, stores and issues. The FY 1989 request includes \$102,446 thousand for peacetime IA and \$4,774 thousand for prepositioned WRM. The SSD maintains inventory levels at the wholesale (depot) level primarily at five Air Logistic Centers (ALCs), at the retail (operational) level of these five ALCs and over 200 Air Force bases and operating locations worldwide. The SSD maintains two types of WRM inventory: (1) prepositioned at base level and (2) prestocked at the wholesale (ALC) level.

b. General Support Division (GSD): The GSD provides financial management retail level inventory control and distribution for approximately 1.4 million expense (consumable) items. These items include common repair parts used to maintain Air Force weapon systems, equipment, and facilities, as well as low cost equipment and general and administrative supplies. Primary sources of supply for the items managed by this division are the Defense Logistics Agency (DLA), the General Services Administration (GSA), other services, and local procurement. The GSD maintains peacetime inventory at over 200 Air Force bases and operating locations worldwide and at five Air Logistics Centers in support of depot maintenance operations. Inventories of prepositioned War Reserve Materiel (WRM) are also maintained at specified geographic locations (primarily overseas) and with designated units tasked for deployment. The FY 1989 request includes \$42,720 thousand for prepositioned WRM.

c. Medical-Dental Division: This division provides retail level financial management, inventory control, and distribution for approximately 49,000 items. These items include consumable medical and dental supplies and low cost medical equipment necessary to provide peacetime health care services to Air Force personnel (both active duty and retired) and their dependents at 82 regional hospitals, 39 clinics, and six aeromedical evacuation units worldwide. This division also provides the prepositioned medical War Reserve Materiel (WRM) required for contingency hospitals, second echelon units, aeromedical staging facilities, air transportable hospitals, items for defense against chemical/biological warfare and medical care in that environment, and other programs in support of forces in combat. This request includes \$27,860 thousand in FY 1989 for prepositioned WRM.

d. Fuels Division: This division provides retail level financial management, inventory control, and distribution for bulk petroleum fuels and missile fuels to support both peacetime and wartime operations. Bulk fuels are those petroleum-based fuels, other than packaged products, which are consumed in the operation of aircraft, powered vehicles, auxiliary power, and heat generating systems used at Air Force facilities worldwide. Missile fuels are those chemically based, blended products used primarily in support of space vehicles or ballistic missile research, launch, and propulsion systems. This request includes \$10,200 thousand for prepositioned war reserve fuels in FY 1989.

e. Commissary Division: This division provides retail level financial management, inventory control, and distribution for the rations required to feed Air Force personnel. The number of items managed by AFCOM's 153 troop issue activities and resale outlets ranges from 1000 to 10,000 depending on store size and location. War Reserve Materiel (WRM) requirements in this division consist of the prepositioned rations to support Air Force personnel during the initial stages of wartime activity until the Army can establish theater resupply. Requirements for prepositioned rations primarily support personnel assigned in European and Pacific theaters and designated mobility forces. The FY 1989 request includes \$5,900 thousand for IA and \$13,000 thousand for WRM rations.

f. Air Force Academy Cadet Store Division: This division provides academic supplies and sundries for Air Force Academy cadets. The division manages approximately 4,300 items such as uniforms, athletic supplies, clothing, bedding, textbooks, mini-computers and other scholastic supplies for resale to cadets. There is no requirement for appropriated funds for this division in the FY 1989 request.

Funding Summary: Inventory Augmentation (IA) and War Reserve Materiel (WRM)

(In thousands of Dollars)

	<u>FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>	<u>REVISED FY 1989</u>
Systems Support Division					
Force Modernization (IA)	(210,384)	(102,340)	(101,910)	(87,946)	(95,297)
Force Modification (IA)	(25,600)	(10,000)	(20,669)	(14,500)	(7,149)
Readiness Improvement Initiatives (IA)	0	0	0	0	0
War Readiness Spares Kits (WRM)	(13,285)	0	(3,611)	(14,905)	(4,774)
War Consumables Distribution Objectives (WRM)	(1,800)	0	0	(571)	0
Table of Allowance Spares (WRM)	(1,200)	0	0	(1,224)	0
Other War Reserve Materiel (WRM)	(7,300)	0	0	0	0
General Support Division	45,607	24,640	21,055	45,621	42,720
Force Modernization (IA)	(10,700)	(18,731)	(12,474)	0	0
Force Modification (IA)	(3,016)	(5,667)	(3,800)	0	0
Readiness Improvement Initiatives (IA)	(1,360)	(242)	0	0	0
War Readiness Spares Kits (WRM)	(17,427)	0	(4,781)	(23,332)	(19,329)
War Consumables Distribution Objectives (WRM)	(3,520)	0	0	(6,519)	(7,621)
Table of Allowance Spares (WRM)	(9,604)	0	0	(15,770)	(15,770)
Medical-Dental Division	35,092	0	24,473	23,760	27,860
500-Bed Contingency Hospitals (WRM)	(20,232)	0	0	(6,646)	0
Aeromedical Staging Facilities (WRM)	(1,533)	0	0	0	0
Second Echelon Facilities (WRM)	(8,406)	0	(1,100)	(5,992)	(12,800)
Chemical/Biological Warfare Program (WRM)	(3,194)	0	0	(10,632)	(5,300)
Other Support (WRM)	(1,727)	0	(23,373)	(5,490)	(9,760)
Shelter Kit (WRM)	0	0	0	0	0

Funding Summary: Inventory Augmentation (IA) and War Reserve Materiel (WRM)

		(In Thousands of Dollars)			REVISED FY 1989
		FY 1986	FY 1987	FY 1988	FY 1989
<u>Fuels Division</u>		39,847	0	39,916	10,211
Fill of Currently Approved New WRM Tankage	(39,847)	0	(39,916)	(10,211)	(10,200)
<u>Commissary Division</u>		15,406	3,000	14,373	18,900
Force Modernization (IA)	(12,268)	(3,000)	(4,999)	(8,000)	(5,900)
Prepositioned Combat Rations (WRM)	(3,138)	0	(9,374)	(13,000)	(13,000)
Total Funding	395,521	139,980	226,007	224,738	206,900
Inventory Augmentation WRM	(263,328) (132,193)	(139,980) 0	(143,852) (82,155)	(110,446) (114,292)	(108,346) (98,554)

WAR RESERVE - SECONDARY ITEMS
AIR FORCE
(\$ IN MILLIONS)

CATEGORY	STOCK FUND			PROCUREMENT FUNDED			TOTAL		
	FY87	FY88	FY89	FY87	FY88	FY89	FY87	FY88	FY89
<u>AIRCRAFT SPARES & REPAIR PARTS</u>									
Requirements	620.4	847.3	967.2	8243.5	9126.6	10323.1	8863.9	9973.9	11290.3
Applicable Assets	380.9	445.3	506.9	7390.2	7706.6	7144.0	7771.1	8151.9	7650.9
Funding	0	8.4	47.5	316.4	0	0	316.4	8.4	47.5
<u>MISSILE SPARES & REPAIR PARTS</u>									
Requirements	*	*	*	53.9	0	0	53.9	0	0
Applicable Assets	*	*	*	51.1	0	0	51.1	0	0
Funding	*	*	*	2.8	0	0	2.8	0	0
<u>GROUND EQUIPMENT SPARES</u>									
Requirements	*	*	*	201.4	244.8	280.5	201.4	244.8	280.5
Applicable Assets	*	*	*	152.1	172.5	227.2	152.1	172.5	227.2
Funding	*	*	*	49.3	7.1	0	49.3	7.1	0
<u>MEDICAL SUPPORT</u>									
Requirements	258.5	274.5	296.7	*	*	*	258.5	274.5	296.7
Applicable Assets	130.0	143.0	181.3	*	*	*	130.0	143.0	181.3
Funding	0	24.5	27.9	*	*	*	0	24.5	27.9

CATEGORY	STOCK FUND			PROCUREMENT FUNDED			TOTAL		
	FY87	FY88	FY89	FY87	FY88	FY89	FY87	FY88	FY89
FUELS									
Requirements	475.0	476.2	444.9	*	*	*	475.0	476.2	444.9
Applicable Assets	442.9	413.3	425.7	*	*	*	442.9	413.3	425.7
Funding	0	39.9	10.2	*	*	*	0	39.9	10.2
COMMISSARY									
Requirements	126.8	131.2	135.7	*	*	*	126.8	131.2	135.7
Applicable Assets	30.9	46.4	57.3	*	*	*	30.9	46.4	57.3
Funding	0	9.4	13.0	*	*	*	0	9.4	13.0
TOTAL AIR FORCES									
Requirements	1480.7	1729.~	1844.5	8499.8	9371.4	10643.6	9979.5	11100.6	12,448.1
Applicable Assets	984.7	1048.0	1171.2	7593.4	7879.1	7371.2	8578.1	8927.1	8542.4
Funding	0	82.2	98.6	368.5	7.1	0	368.5	89.3	98.6

*Not Separately Identifiable

(In Thousands of Dollars)

FY 1989 Amended Estimate	.....	\$ 107,220
FY 1989 Change	.....	\$ -11,926
FY 1989 Initial Estimate	.....	\$ 119,146
FY 1988 Estimate	.....	\$ 126,190
FY 1987 Actual	.....	\$ 112,340

ACTIVITY: Systems Support Division

SYSTEMS SUPPORT DIVISION
NARRATIVE DESCRIPTION

The Systems Support Division (SSD) manages the expense type, weapon system related repair parts for which the Air Force is the Department of Defense Inventory Control Point (ICP). Overall responsibility for management of the SSD is assigned to the Air Force Logistics Command (AFLC). The AFLC has five Air Logistics Centers operating as SSD ICPS. These centers are located at Tinker Air Force Base (AFB), Oklahoma; Hill AFB, Utah; Kelly AFB, Texas; McClellan AFB, California; and Robins AFB, Georgia. A sixth ICP is the cryptological support center located at Kelly AFB, Texas. The SSD manages over 536,000 items using a vertical stock fund concept. Under this concept, wholesale levels of inventory are maintained at the ICPS and operating levels of the same inventory items are maintained at each Air Force operating location worldwide. A sale of a SSD item is only recorded when the operation and maintenance customer, industrial fund customer or other authorized customer withdraws the item from an operating location stockage point. Movement of inventory between the wholesale stockage location and the operating, or retail, stockage location is not recorded as a sale in the SSD. This vertical stock fund concept provides effective inventory control and distribution of assets, and protects the customer from stock outs due to procurement leadtime. Both Peacetime Operating Stocks and War Reserve Materiel are procured and maintained by the Systems Support Division.

SYSTEMS SUPPORT DIVISION
DESCRIPTION OF PEACETIME INVENTORY AUGMENTATION

The request for inventory augmentation of peacetime operating stocks is based on three major categories of requirements. First, for force modernization, there is the initial lay-in of new items in support of new weapon systems/end items entering the inventory and the incremental increases of stocks necessary to support programmed increases in the number of weapon systems in the existing force structure. Second, for force modification, there is the introduction of new items required to support configuration changes to older, established weapon systems. Third, there is the implementation of stockage policy changes which are designed to improve readiness and sustainability by introducing better predictors of future requirements than past demand factors.

SYSTEMS SUPPORT DIVISION
PEACETIME INVENTORY AUGMENTATION FUNDING REQUEST

The \$102,446 thousand requested in this budget is for procurement of additional inventory to support peacetime operations. Increased inventory requirements are the result of force structure changes that include introduction of new weapon system end items to the inventory and increases in the number of existing weapon systems being supported (in particular, C-5B, F-15 and F-16). Modifications to existing weapon systems further drive the increased inventory requirements which will give the stock fund maintenance customer the materiel needed to improve weapon system support. The stock fund must have the additional inventory on-hand to support customer demands.

a. Systems Support Division Force Modernization: \$95,297 thousand

The FY 1989 request includes initial provisioning stocks of expense items to support force structure changes and new end items for the C-5B (\$25,100 thousand), F-16 (\$16,900 thousand), and F-15 (\$4,800 thousand). The balance of this request (\$48,497 thousand) supports initial provisioning of consumables for a variety of other weapon systems, such as the LGM-30 (Minuteman), LGM-30A (Peacekeeper), AIM-120A (AMRAAM), LGM-30 and electronic systems; and items common to more than one specific system.

b. Systems Support Division Force Modification: \$7,149 thousand

This request includes \$7,146 thousand to support modifications of the FB-111 (\$1,500 thousand), F-15 (\$800 thousand), C-5 (\$800 thousand), the LGM-30 (\$800 thousand) and \$3,249 thousand to support a variety of other weapon system modifications.

c. System Support Division Readiness Initiatives:

Requirements are unfunded.

SYSTEMS SUPPORT DIVISION
DESCRIPTION OF WAR RESERVE MATERIEL (WRM)

The Systems Support Division is the only Air Force Stock Fund division that contains requirements for both prepositioned WRM and prestocked Other War Reserve Materiel (OWRM). Other divisions' requirements are exclusively for prepositioned WRM.

a. Prepositioned WRM:

(1) War Readiness Spares Kits (WRSK) are air transportable packages of spares and repair parts that will support specific units designated to be deployed during the first 30 days of a war or contingency until resupply can be effected. WRSKs are normally prepositioned with the using unit. Failure rates, maintenance data, and the peacetime flying hour program (as adjusted for wartime flying hours and sorties) provide the WRM demand rates. Factors such as unpredictable and erratic fluctuation in demands, maintenance capability of the operating base, and essentiality of items for operational effectiveness are all considered. The major commands that have a need for WRSK develop the requirements which are then reviewed for approval by the Air Force Logistics Command and Headquarters, United States Air Force.

(2) Base Level Self-Sufficiency Spares (BLSS) are spares and repair parts designed to augment existing peacetime assets to support the initial increased wartime activity of specific units that will operate in place. Requirements are determined by multiplying the number of conventional sorties and flying hours for the first 60 days of a war or contingency, times the average duration of sorties and flying hours, times the anticipated usage and base repair factor. Those units which are authorized a War Readiness Spares Kit (WRSK) will not be authorized Base Level Self-Sufficiency Spares (BLSS).

(3) War Consumables Distribution Objectives (WODO) contain consumable items that are authorized for a theater, area, and base as opposed to WRSK and BLSS items which are authorized for specific units.

b. Prestocked Other War Reserve Materiel (OWRM):

(1) OWRM is designed to provide spares and repair parts at the wholesale or Continental United States level to support the force after prepositioned assets are used and until the production base can be expanded to satisfy wartime consumption. The requirements are determined by applying a flying hour ratio between the peacetime force and the wartime force (contained in the War and Mobilization Plan) to the demand experience for the items, less assets projected to be available. Also included in this category, for inventory purposes only, would be any prepositioned assets from the Major Commands for which storage space was not available in the Command.

SYSTEMS SUPPORT DIVISION
WAR RESERVE MATERIEL FUNDING REQUEST

The \$4,774 thousand requested in this budget for War Reserve Materiel is required for procurement of prepositioned War Readiness Spares Kits (WRSK) and Base Level Self-Sufficiency Spares (BLSS) for support of various aircraft.

- a. Systems Support Division War Readiness Spares Kits (WSRK)/Base Level Self-Sufficiency Spares (BLSS):
\$4,774 thousand

The Air Force requests financing for partial procurement of WRSK/BLSS requirements to support weapon system wartime operations. These requirements pertain to support of the airframe, avionics, propulsion, flight control, electrical, hydraulic, and environmental systems for the F-15, F-16, MC-130, TR-1A, E-3A, C-130, and C-5B; and gun systems such as the GAU-8A, GAU-13, and M61-A1.

b. War Consumables Distribution Objective.

Requirements are unfunded.

c. Systems Support Division Table of Allowance Spaces/Bare Base Mobility System.

Requirements are unfunded.

d. System Support Division Other War Reserve Materiel (OWRM).

Requirements are unfunded.

(In Thousands of Dollars)

FY 1989 Amended Estimate	.....	.....	\$42,720
FY 1989 Change	.....	.....	\$-2,901
FY 1989 Initial Estimate	.....	.....	\$45,621
FY 1988 Estimate	.....	.....	\$21,055
FY 1987 Actual	.....	.....	\$24,640

ACTIVITY: General Support Division

GENERAL SUPPORT DIVISION
NARRATIVE DESCRIPTION

The General Support Division (GSD) manages over 1.4 million catalogued expense items for which the Air Force is recorded as a user. Items managed by this division include common repair parts, construction materials, general and administrative supplies, and low cost equipment items. Sources of supply or Inventory Control points for GSD items include the Defense Logistics Agency (DLA), General Services Administration (GSA), Army, Navy, local procurement, and local manufacture. Inventories are maintained at over 200 retail level supply points worldwide. The GSD manages both Peacetime Operating activities at Air Force bases and operating locations worldwide. Items managed by this division are not included in any Stocks (POS) and War Reserve Material (WRM) inventories. The Air Force operates this division under a horizontal stock fund concept other Air Force Stock Fund division. The Air Force maintains by the Air Force.

GENERAL SUPPORT DIVISION
DESCRIPTION OF PEACETIME INVENTORY AUGMENTATION

Increased peacetime operating stock inventory requirements are comprised of three major categories. First, for force modernization, there is the introduction of new items in support of new weapon systems/end items entering the Air Force inventory and/or existing weapon systems being activated at new locations. Initial Spares Support Lists (ISSL) and Mission Change Special Levels are developed and used to lay in base stocks for this purpose. Second, for force modification, there is the introduction of new items to support configuration changes to older established weapon systems. Third, there are stockage policy changes that correct stock leveling deficiencies or that apply factors other than past demand patterns as a better predictor of future requirements. Such changes are specifically targeted at improving materiel readiness and sustainability at the retail or base level from which weapon systems actually operate in both peacetime and wartime.

GENERAL SUPPORT DIVISION
PEACETIME INVENTORY AUGMENTATION FUNDING REQUEST

Fiscal year 1989 Inventory Augmentation requirements exist for modernization, modification, and readiness improvements. However, due to fiscal constraints, no funds are requested to support these known requirements.

GENERAL SUPPORT DIVISION
DESCRIPTION OF WAR RESERVE MATERIEL (WRM)

All General Support Division War Reserve Materiel (WRM) requirements are for prepositioning and fall under the same categories of prepositioned WRM as in the Systems Support Division. These categories are War Readiness Spares Kits (WRSK), Base Level Self-Sufficiency Spares (BLSS), War Consumables Distribution Objective (WODO), and Table of Allowance spares for bare base mobility support.

GENERAL SUPPORT DIVISION
WAR RESERVE MATERIEL FUNDING REQUEST

The \$42,720 thousand requested is for the procurement of prepositioned War Reserve Materiel in the following categories:

- a. General Support Division War Readiness Spares Kits (WRSK)/Base Level Self-Sufficiency Spares (BLSS):
\$19,329

Financing is requested for WRSK/BLSS requirements of consumable spare and repair parts. WRSK support various aircraft, communication systems, and other equipment that will be deployed in support of wartime taskings, whereas BLSS are those assets designed to augment existing peacetime assets and are required to be in place on D-Day to support increased wartime operations as compared to peacetime demand. BLSS are authorized for those units designed to fight in-place. New WRSK/BLSS requirements support various aircraft including the F-15, F-16, C-5, A-10, C-130, E-3, and TR-1A. BLSS requirements also support Civil Engineering consumables needed for overseas base recovery (repair/reconstitution) of airfield runways after enemy attack. Examples include asphalt, runway patch, lumber, plywood, concrete, and building materials.

- b. General Support Division War Consumables Distribution Objectives (WODO): \$7,621 thousand
This category of items is similar to Base Level Self-Sufficiency Spares (BLSS) in that it represents assets to be in-place on D-Day to support wartime operations and sorties. Primary items are anti-icing and de-icing fluid, aviation oil, and photographic paper.

c. General Support Division Table of Allowance Spares: \$15,776 thousand

These items are required to support the initial housekeeping functions of deployed units to areas not otherwise equipped for flight operations. This requirement supports Harvest Eagle/Harvest Bare bare base support packages. Some examples of the equipment are kitchen equipment, cots, field office equipment, shop equipment, repair kits, electronic test equipment, generator parts, power distribution parts, fire extinguishers, and collapsible water drums. This requirement is primarily for Southwest Asia.

(In thousands of Dollars)

FY 1989 Amended Estimate	.....	.....	\$ 27,860
FY 1989 Change	.....	.....	\$ -900
FY 1989 Initial Estimate	.....	.....	\$ 28,760
FY 1988 Estimate	.....	.....	\$ 24,473
FY 1987 Actual	.....	.....	\$ 0

ACTIVITY: Medical-Dental Division

MEDICAL-DENTAL DIVISION
NARRATIVE DESCRIPTION

The Medical-Dental Division provides prepositioned, consumable, war reserve medical supplies and equipment to support forces in combat. War reserve assets are prepositioned at or near the place of intended use and in the quantities needed to support operations until resupply can be accomplished. Casualties will occur early in a conflict when airlift will be saturated or not available; therefore, prepositioning is the only means by which the necessary medical equipment and supplies will be available when needed. Medical requirements are based on Tables of Allowance (TA) approved by the Air Force Surgeon General. Programs that are common among the services are standardized and approved by the Assistant Secretary of Defense for Health Affairs. Medical treatment is based on a four echelon care system. First echelon is self aid or buddy care. Treatment consists of first aid by the individual or his buddy. Second echelon care provides initial combat casualty care by medical service professionals. It is designed to be positioned either on or off main operating bases. Third echelon care provides definitive professional medical treatment for patients that will be evacuated or returned to duty within 7 days. Fourth echelon care provides more definitive medical treatment for patients that will return to duty within established air evacuation time frames or be evacuated to the Continental United States (CONUS) for further medical care.

MEDICAL-DENTAL DIVISION
DESCRIPTION OF WAR RESERVE MATERIEL (WRM)

The requested funding for prepositioned WRM medical supplies and low cost equipment is vital to the support of forces in combat pending resupply. All WRM assets and requirements in this division are prepositioned. Requirements for overseas locations are prepositioned at or near the place of intended use because the assets will be required before they can be delivered from the CONUS. Requirements are to support anticipated wartime needs primarily for 500-Bed Contingency Hospitals, Second Echelon Medical Care Units, Aeromedical Staging Facilities, Air Transportable Hospitals, and medical items for both defense against chemical/biological warfare agents and for use in that environment.

MEDICAL-DENTAL DIVISION
WAR RESERVE MATERIAL (WRM) FUNDING REQUEST

The \$27,864 thousand requested in FY 1989 is required for wartime medical care.

a. Medical-Dental Division 500-Bed Contingency Hospitals:

The 500-Bed contingency hospital provides third and fourth echelon levels of care. The third level provides resuscitative, general, orthopedic, and definitive surgery; post operative stabilization; medical and dental care; and rehabilitation for patients in accordance with evacuation policy for evacuation/return to duty within five to seven days. The fourth level provides complete general and specialized surgical care (except for reconstructive). In addition to the services provided in the third echelon for patients that will be evacuated/returned to duty within five to sixty days. Stock Fund requirements exist for 500-Bed contingency hospitals but are unfunded.

b. Medical-Dental Division Second Echelon Medical Care Units: \$12,899 thousand

Second echelon level of care provides initial combat casualty care by medical service professionals. It is designed to be positioned either on or off operating bases. It will provide emergency care, triage, stabilization and disposition of casualties as appropriate. Requested funding is for supplies and equipment required for 21 second echelon medical units in FY 1989.

c. Medical-Dental Division Aeromedical Staging Facility (ASF):

The ASF provides a holding facility for patients that are in the evacuation system awaiting transportation between medical facilities. The Air Force has the mission of providing aeromedical evacuation for the entire United States force structure. Material is prepositioned at overseas and CONUS locations to support operation of ASFs. ASF requirements do exist but are unfunded.

d. Medical-Dental Division Chemical Warfare Defensive Items: \$5,300 thousand

This program provides specialized equipment/supplies designed to operate in a contaminated environment and capable of processing Chemical Warfare (CW) contaminated patients. The items included are used for self-administration and follow-on care by a professional medical staff.

- e. Medical-Dental Division Miscellaneous Requirements: \$9,760 thousand
- These funds are required to replace rotational losses of shelf life items already prepositioned. Included in this category are medications for all medical war reserve programs and biological and chemical warfare antidotes. Funding also supports the WRM medical blood program.

(In thousands of Dollars)

FY 1989 Amended Estimate	\$ 10,200
FY 1989 Change	\$ -11
FY 1989 Initial Estimate	\$ 10,211
FY 1988 Estimate	\$ 39,916
FY 1987 Actual	\$ 9

ACTIVITY: Fuels Division

FUELS DIVISION
NARRATIVE DESCRIPTION

The Fuels Division of the Air Force Stock Fund manages bulk petroleum fuels and missile fuels. Bulk petroleum fuels are those petroleum-based fuels, other than packaged products, which are consumed in the operation of aircraft, powered vehicles, or auxiliary power and heat generating systems at Air Force facilities worldwide. Aviation fuels managed include four grades of jet fuel and two grades each of aviation gasoline and aviation oils. Ground fuels include 12 grades of automotive gasoline, seven grades of distillates, three grades of residual fuel oils and propane. Missile fuels are those chemically-based, blended products used primarily in support of space vehicle or ballistic missile research, launch, and propulsion systems. The missile fuel category includes 69 national stock numbered items covering 37 separate products. War Reserve Materiel (WRM) fuel requirements pertain to the bulk petroleum products. The United States Air Force (USAF) Flying Hour program generates USAF peacetime aviation fuel requirements.

FUELS DIVISION
DESCRIPTION OF WRM

All War Reserve Materiel (WRM) aviation and ground fuels are included in this division. WRM assets and requirements are computed from approved wartime flying activity by type of aircraft, using standard consumption rates. The total computed requirement for the authorized prestockage period exceeds our current storage capability. The WRM funds requested will new WRM storage tanks currently approved in the Military Construction Program and scheduled for completion in the year WRM funding is requested.

FUELS DIVISION
WRM FUNDING REQUEST

The \$10,200 thousand requested in FY 1989 is for procurement of War Reserve Materiel (WRM) aviation fuel. These funds are required to fill new storage tanks already approved in the United States Air Force and North Atlantic Treaty Organization infrastructure construction programs. In FY 1989, new tanks for WRM storage are programmed for completion in Germany, Turkey, United Kingdom, Morocco, and the Continental United States.

(In Thousands of Dollars)

FY 1989 Amended Estimate	\$18,900
FY 1989 Change	\$-2,100
FY 1989 Initial Estimate	\$21,000
FY 1988 Estimate	\$14,373
FY 1987 Actual	\$ 3,000

ACTIVITY: Commissary Division

COMMISSARY DIVISION
NARRATIVE DESCRIPTION

This division must provide subsistence to Air Force installations as required to support their assigned responsibilities. The program requirement for FY 1989 is for increased peacetime Inventory Augmentation (IA) to accommodate expansion of inventories at various commissary locations worldwide and for prepositioned combat rations to sustain forces pending resupply. War Reserve Material requirements for this division consist of the prepositioned rations to support Air Force personnel during the initial stages of wartime activity until the Army can establish theater resupply via sealift. Requirements for prepositioned rations primarily support personnel assigned in European, Southwest Asian, and Pacific theaters. Prepositioning reduces the demand for high priority airlift transportation during a mobilization.

COMMISSARY DIVISION
DESCRIPTION OF PEACETIME INVENTORY AUGMENTATION

Requirements for additional inventory to support peacetime operations are based on projected increases in the number of customers to be supported and to support the opening of new, modernized, or expanded retail stores in both the Continental United States and overseas. Expansion of facilities is necessary to accommodate the growing number of authorized commissary patrons.

COMMISSARY DIVISION
PEACETIME INVENTORY AUGMENTATION FUNDING REQUEST

The \$5,900 thousand requested in FY 1989 is for initial lay-in of inventory to stock a new stores at Woensdrecht, Netherlands and at a SAC Strategic Range Site at Wilder, Idaho. Increased inventory is also required to stock expanded facilities (renovations/increased warehousing) at Castle AFB, California; Hurlburt Field, Florida; Eielson AFB, Alaska; and Marwith Hill and Royal Air Force Upper Heyford, United Kingdom.

COMMISSARY DIVISION

DESCRIPTION OF WAR RESERVE MATERIEL (WRM)

All War Reserve Materiel (WRM) assets and requirements in this division are prepositioned. Therefore, procurement of WRM combat rations is programmed to maximize the Air Force shelf-life ration rotation program to preclude loss. Two types of rations are currently used. The requirement for each type is determined by consideration of available cooks, kitchen, and mission requirements. The Air Force standard combat ration is the meal ready to eat (MRE). While the palatability of the MRE is greatly improved over previous combat-type meals, it is not as appealing as a dining hall type meal prepared by cooks. The second type of ration is the "B" ration, which is a non-perishable operational ration that is served in dining halls. Dependent upon the theater supported and the days of supportability necessary, a combination of both types of rations is considered in determining the requirement (i.e., the Air Force plans to feed two meals per day from dining facilities with the other meal offered being MRE).

COMMISSARY DIVISION
WRM FUNDING REQUEST

The \$13,000 thousand requested in FY 1989 is primarily required to support MRE and "B" ration requirements for the European and Pacific theaters.

Air Force Stock Funds
Program and Financing (In Thousands of dollars)

		1987 actual	1988 est.	1989 est.
Identification code	57-4921-0-4-051			
Program by activities:				
01.0201 Commissary		2,380,749	2,464,973	2,567,600
01.0301 Fuels and related items		3,506,122	2,949,416	2,931,500
01.0401 Air Force Academy cadet store		8,539	9,100	9,100
01.0501 Medical-dental		324,391	360,973	385,860
01.0601 General support		2,230,291	2,232,985	2,343,300
01.0701 Systems support		1,526,451	1,284,629	1,414,340
10.0001 Total obligations		9,976,543	9,302,076	9,651,800
Financing:				
Offsetting collections from:				
Federal funds(-)		-7,303,795	-6,714,369	-6,809,800
Trust funds(-)		-178,293	-174,200	-177,200
Non-Federal sources(-)		-2,292,814	-2,318,500	-2,457,900
Fund balance transferred to other accounts		131,000	-	-
39.0001 Budget authority		201,641	226,007	206,900
40.0001 Budget authority:				
Appropriation		139,980	226,007	206,900
Contract authority (Substantive law) [Statutory citation]		61,661		
69.1001 Relation of obligations to outlays:				
71.0001 Obligations incurred, net		201,641	95,007	206,900
72.4901 Obligated balance, start of year:		1,267,161	1,328,822	1,328,822
72.9801 Contract authority		845,388	684,348	294,655
Fund balance		-	-	-
74.4901 Obligated balance, end of year:		-1,328,822	-1,328,822	-1,328,822
74.9801 Contract authority		-684,348	-294,655	-221,255
Fund balance		-	-	-
90.0001 Outlays		301,020	484,700	286,300

**AIR FORCE STOCK FUND
BUSINESS STATEMENTS
(IN THOUSANDS OF DOLLARS)**

STATUS OF UNFUNDED CONTRACT AUTHORITY:	<u>1987 ACTUAL</u>	<u>1988 ESTIMATE</u>	<u>1989 ESTIMATE</u>
Unfunded Balance, Start of Year	<u>\$1,267,161</u>	<u>\$1,328,822</u>	<u>\$1,328,822</u>
Contract Authority	<u>61,661</u>	<u>0</u>	<u>0</u>
Unfunded Balance, End of Year	<u>1,328,822</u>	<u>1,328,822</u>	<u>1,328,822</u>
REVENUE AND EXPENSE:			
Operating Income: Revenue Sales of Goods	<u>\$9,528,425</u>	<u>\$9,213,900</u>	<u>\$9,377,900</u>
Expense:			
Purchase of Goods (at Cost)	<u>10,106,303</u>	<u>9,831,552</u>	<u>10,276,795</u>
Transportation	<u>40,069</u>	<u>37,444</u>	<u>38,853</u>
Inventory Increase	<u>-1,170,602</u>	<u>-591,048</u>	<u>-873,700</u>
Other Expenses	<u>-64,048</u>	<u>-64,048</u>	<u>-64,048</u>
Total Expenses	<u>8,911,722</u>	<u>9,213,900</u>	<u>9,377,900</u>
Net Operating Income	<u>\$ 616,703</u>	<u>\$ 0</u>	<u>\$ 0</u>

FINANCIAL CONDITION
 (IN THOUSANDS OF DOLLARS)

	<u>1987 ACTUAL</u>	<u>1988 ESTIMATE</u>	<u>1989 ESTIMATE</u>
ASSETS:			
Selected Assets:			
Fund Balance, with Treasury	\$ 684,348	\$ 294,655	\$ 221,255
Accounts Receivable (Net)	880,470	682,970	666,270
Inventories (Net)	8,033,052	8,624,100	9,497,800
Other Assets	<u>8,251,957</u>	<u>8,251,957</u>	<u>9,251,957</u>
Total Assets	\$9,849,827	\$9,853,692	\$10,637,282
LIABILITIES:			
Selected Liabilities:			
Accounts Payable Including Funded Accrued Liabilities	\$2,099,837	\$1,726,383	\$1,683,283
Other Liabilities	<u>-1,049,185</u>	<u>-897,883</u>	<u>-278,083</u>
Total Liabilities	\$1,050,652	\$ 828,500	\$1,405,200
GOVERNMENT EQUITY:			
Selected Equity:			
Unexpended Budget Authority:			
Undelivered Orders	\$3,342,722	\$3,122,152	\$3,142,152
Unfinanced Budget Authority:			
Unfilled Customer Orders	-1,266,556	-1,343,256	-1,523,056
Contract Authority	-1,328,822	-1,328,822	-1,328,822
Invested Capital	<u>8,051,725</u>	<u>8,575,108</u>	<u>8,941,808</u>
Total Government Equity	\$8,799,175	\$9,025,182	\$9,232,082

ANALYSIS OF CHANGES IN GOVERNMENT EQUITY
 (IN THOUSANDS OF DOLLARS)

	<u>1987 ACTUAL</u>	<u>1988 ESTIMATE</u>	<u>1989 ESTIMATE</u>
Paid-in Capital:			
Opening Balance	\$4,223,417	\$4,274,814	\$4,500,821
Transactions:			
Appropriations:	139,980	226,007	206,900
Net Change in Capitalized Inventory	<u>-88,583</u>	<u>0</u>	<u>0</u>
Closing Balance	\$4,274,814	\$4,500,821	\$4,701,721
 Retained Income:			
Opening Balance:	\$3,907,658	\$4,524,361	\$4,524,361
Transactions:	<u>616,703</u>	<u>0</u>	<u>0</u>
Net Operating Income			
Closing Balance	\$4,524,361	\$4,524,361	\$4,524,361
Total Government Equity (End of Year)	\$8,799,175	\$9,025,182	\$9,232,082

Air Force Stock Fund
Object Classification (In Thousands of dollars)

	Identification code	57-4921-0-4-051	1987 actual	1988 est.	1989 est.
	Reimbursable obligations:				
222.001	Transportation of things	40,069	37,444	38,853	
225.003	Other services:	20,271	18,722	19,426	
226.001	Contracts	9,731,683	9,012,730	9,411,826	
231.001	Supplies and materials	184,520	173,180	181,695	
299.001	Total Reimbursable obligations	9,976,543	9,302,076	9,651,800	
999.901	Total obligations	9,976,543	9,302,076	9,651,800	

STOCK FUND SUMMARY
FY 1987
(DOLLARS IN MILLIONS)

1. Division/Budget Program	Net 1/ Customer Orders	Net 1/ Sales	Inventory Augmen- tation		Mobil- ization	Total Out- lays
			Operations			
General Support	\$2,300.630	\$2,099.123	\$2,205.651	\$ 24,640	\$ -	\$2,230.291
Systems Support	\$1,206.000	\$1,172.100	\$1,414.111	\$112,340	\$ -	\$1,526.451
Academy	8.782	8.782	8.539	-	-	8.539
Commissary	2,357.100	2,356.921	2,377.749	3,000	-	2,380.749
Fuels	3,571.581	3,571.581	3,506.122	-	-	3,506.122
Medical-Dental	\$319.910	\$319.910	\$324.391	-	-	\$324.391
Total	\$9,763.703	\$9,528.417	\$9,836.563	\$139,980	\$ -	\$9,976.543

2. Narrative Explanation of Significant Changes to Total Obligations: Stock Fund Divisions had stable programs. There were no significant changes in Total Obligations from the previous fiscal year.
3. Significant Initiatives: FY87 Mobilization Funding was not provided by Appropriation Committees.
4. Price Stabilization Rate Changes and Narrative Explanation:

The Air Force is Inventory Control Point (ICP) for the Department of Defense only in the Systems Support Division (SSD) of our Stock Fund. Only in this Division do we, the Air Forces set a stabilized price. Prices charged for SSD items in FY87 were 15.1% higher than aggregate prices charged in FY86. This is a combination of a low FY86 prices which was intended to dissipate excess Stock Fund cash; this excess cash was largely generated by procurement prices lower than budgeted in previous years. The FY87 Price (set in the FY87 President's Budget) was targeted to the minimal liquidity necessary to support operations. FY86 and estimated FY87 net cash flow, with these prices resulted in a \$270.4M FY87 cash refund to the Air Force Operation and Maintenance (OM) account.

5. Projected Outlays and Narrative Explanation by the following categories:

Operations outlays were targeted to achieve a minimum level of operating cash in the budget year. This was programmed as a function of prices charged and an offset for a \$270.4M FY87 refund to Air Force OM. Actual Operations outlays were \$224 million more than programmed, largely as a consequence of programmed sales not materializing and of deliveries occurring faster than programmed; the net result is a severely constrained level of operating cash. Appropriated funds for Inventory Augmentation and Mobilization approximated the outlay pattern for the Other Procurement appropriation.

- Operations	\$-105.8
- Appropriated Funds	406.8
- Total	<u>301.0</u>

1/ Includes refund of \$270.4 million.

STOCK FUND SUMMARY
FY 1988
(DOLLARS IN MILLIONS)

<u>1. Division/Budget Program</u>	<u>Net Customer Orders</u>	<u>Net Sales</u>	<u>Operations</u>	<u>Inventory Augmentation</u>	<u>Mobilization</u>	<u>Total Obligations</u>
General Support	\$2,178.700	\$2,153.800	\$2,211.930	\$ 16.274	\$ 4.781	\$2,232.985
Systems Support	\$1,405.000	\$1,353.200	\$1,158.439	\$122.579	\$ 3.611	\$1,284.629
Academy	8.900	8.900	9.100	-	-	9.100
Commissary	2,454.000	2,454.000	2,450.600	4.999	9.374	2,464.973
Fuels	2,903.900	2,903.900	2,909.500	-	39.916	2,949.416
Medical-Dental	340.100	340.100	336.500	-	24.473	360.973
Total	\$9,290.600	\$9,213.900	\$9,076.069	\$143.852	\$82.155	\$9,302.076

- 2. Narrative Explanation of Significant Changes to Total Obligation:**.....
 - 3. Significant Initiatives:**.....
 - 4. Price Stabilization Rate Changes and Narrative Explanation:**.....
 - 5. Protected Outlays and Narrative Explanation By the following categories:**
 - Operations \$-42.8
 - Appropriated Funds 527.5
 - Total \$484.7
- Total Operating obligations are \$760 million less than in FY87, primarily driven by lower fuel prices and by operating cash balances too low to support a higher level of inventory customer support.
- Operating cash levels below the designed eleven days will require intensified financial management to ensure stock fund liquidity is maintained.
- Systems Support Division (SSD) prices charged customers will decrease 0.55% from FY 1987 to FY 1988. This is in consonance with prices as presented to Congress in the FY88 President's Budget. Although operating cash is less than the desired eleven days, these prices could not be increased under the Price Stabilization policy.
- Operations outlays are in consonance with the mandatory stabilized price for FY 1988 and in anticipation of a continuation of the delivery profile experienced in FY 1987. Appropriated outlays approximate the outlay pattern for the Other Procurement appropriation, adjusted for the faster delivery profile.

**STOCK FUND SUMMARY
FY 1989
(DOLLARS IN MILLIONS)**

1. Division/Budget Program	Net Customer Orders	Net Sales	Operations	Inventory Augmentation	Mobilization	Total Obligations
	\$2,390.500	\$2,216,500	\$2,300,580	\$102,446	\$42,720	\$2,343,300
General Support	\$1,324,000	\$1,318,200	\$1,307,120	\$4,774	\$1,414,340	
Systems Support	9,100	9,100	9,100	-	9,100	
Academy	2,546,100	2,546,100	2,548,700	5,900	13,000	2,567,600
Commissary	2,930,900	2,930,900	2,921,400	-	10,200	2,931,600
Fuels	2,357,100	2,357,100	2,358,000	-	27,860	2,385,860
Medical-Dental						
Total	\$9,557,700	\$9,377,900	\$9,444,900	\$108,346	\$98,554	\$9,651,800

2. Narrative Explanation of Significant Changes to Total Obligations:.....

Total Operating obligations are \$369 million higher than in FY 88. This is due to escalation in procurement cost and to meet normal levels of customer support.

3. Significant Initiatives:.....

4. Price Stabilization Rate Changes and Narrative Explanation:.....

Systems Support Division (SSD) prices are programmed to increase 5.66% FY 1989 over FY 1988. This is targeted toward rebuilding the eleven days of operating cash required for minimal liquidity while holding escalation in range with general price indices.

5. Projected Outlays and Narrative Explanation By the Following Categories:

- Operations	\$-89.5
- Appropriated Funds	<u>369.8</u>
- Total	\$280.3